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**STATE OF CALIFORNIA
CONSUMER POWER AND CONSERVATION
FINANCING AUTHORITY**

**October 19, 2001
First Floor Hearing Room
901 "P" Street
Sacramento, CA**

ATTENDANCE

Board Members Present:

Mr. S. David Freeman, Chairman
Ms. Sunne W. McPeak, Vice Chair
Mr. John Stevens, Director
Ms. Barbara Lloyd representing Mr. Angelides,
State Treasurer)
Ms. Ann Stausboll (representing Mr. Angelides,
State Treasurer)
Mr. Donald Vial, Director

Chief Executive Officer:

Ms. Laura Doll

Administrative staff present:

Mr. Gary Heath
Mr. B.B. Blevins
Mr. Kellan Fluckiger
Mr. Allen Sumner
Mr. Mike Weedall
Ms. Amber Pasricha
Mr. Thomas Flynn

Public Participation:

Mr. Henry Orlosky, Harper Lake
Energy Park
Mr. Bill Ahern, Consumers Union
Mr. J.P. Ross, Greenpeace
Ms. Fern Feto, Greenpeace
Mr. CD Shrack, Greenpeace
Mr. Jeff Gihlardi
Ms. Lisa Bicker, True Pricing
Mr. Frank Mazanec, Onsite Energy
Mr. Steve Ponder, FPL Energy LLC

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Chairman Freeman called to order the meeting of the Consumer Power and Conservation Financing Authority (Authority) at 10:00 a.m. and established a quorum. Director McPeak lead the meeting in the Pledge of Allegiance.

Vice Chair McPeak made opening comments regarding a recent report published by the Bay Area Economic Forum. The report discusses the continued interest in ensuring there will be a competitive market in the interests of consumers and taxpayers. A copy of the report can be found on the website.

GENERAL SESSION

The following agenda items were discussed in general session:

AGENDA: Item 1

Approval of Minutes

The Approval of Minutes was put over to the next board meeting.

AGENDA: Item 2

Chairman Report

Load Management Proposals

Chairman Freeman and Mr. Hannigan, Executive Director California Department of Water Resources (DWR) issued a statement yesterday stating that DWR and the Authority are working together to ensure proposals for load management, renewables, and peakers at least cost, optimally located, and timely. However, due to the California Public Utilities Commission's (CPUC) decision to reject the rate agreement, projects are not ready for board approval.

Rate Agreement Obstacles

In lieu of the CPUC's decision to reject the rate agreement, the Authority continues to have obstacles in implementing demand-side proposals that would enable to reduce demand next summer at a fraction of the cost of peakers, as well as problems in acquiring those peakers. Without the rate agreement, DWR is uncreditworthy and the state is unable to borrow money. The board will continue to pursue projects in the public interest but cannot approve any projects until the credit issues are resolved.

Development of Investment Plan

Staff continues to work on the development of an investment plan, which is due for completion February 15. The data-gathering phase should be completed by mid-November. The board's retreat scheduled in mid-November will be mostly spent on getting board input into the development of the plan.

Real-time Metering

As acting Chief Executive, the Chairman has sent out a request for proposal for the installation of real-time meters. The Authority will be providing low-cost financing and the money will be repaid over time out of consumer savings.

Renewable Energy

Proposals continue to come in for renewable energy. The Authority is no longer accepting peaker proposals. Letters of intent have been signed for 14 small biogas projects located in the Central Valley totaling 26 megawatts. Wind projects for a total of 400 megawatts are being considered. CEC's published report on renewable energy suggests the state move from 12 to 17 percent and the Governor, as well as leading legislators, endorses that goal. To begin the job of due diligence of these proposals is part of the board's job in reviewing it.

Key Staff Recruitment

The new Chief Executive Officer begins this next Monday (October 22, 2001). It is hoped to complete the recruiting of other key staff positions by the next board meeting.

AGENDA: Item 3

Briefing on the need for additional renewable and peaking generation for summer 2002 and beyond

Mr. Kellan Fluckiger made a slide presentation to the board explaining why there is urgency in taking action to ensure the state has adequate electrical supply and the role the authority should take in this process. There were general discussions and questions by board members regarding Mr. Fluckiger's presentations.

Chairman Freeman clarified some questions regarding conservation and demand management programs. Currently, with the utility creditworthy problems, DWR is the state's only market for capacity and energy; consequently, renewable programs and load management programs are on hold. However, for true efficiency programs, the state can loan money for real-time meters and expect the customer to pay that back.

There was further discussion among members regarding integrated resource planning.

Brief recess was taken

AGENDA: Item 4

Action Items

A) Approval of 'Conflict of Interest Code' and a 'Statement of Incompatible Activities' and any addendums to these items

Allen Sumner presented a package of items before the committee for adoption, the first being the Code of Ethics. This provides provisions not covered by the Political Reform Act or Conflict of Interest Code itemized by ex-parte communication, but does go beyond

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the statutory requirements of the Authority. The Conflict of Interest Code is limited to energy companies that have contracts with the Authority and the Political Reform Act precludes an individual from making or participating in the making of a decision in which the individual has a financial interest.

Under ex-parte communications, the Board will not be allowed to talk to individuals that have pending projects. So that it can be known who these individuals are, the staff will be required to provide a monthly list to the board. This is patterned after the practice of the Public Employees Retirement System.

There was general discussion among members and modifications of the policy were suggested regarding energy contracts and the limitation on stock ownership and gifts.

Motion: Director Stevens moved to adopt the code of ethics with the modifications. Ms. Stausboll seconded the motion.

Voice Vote: 5 Aye, 0 Nays. Motion passed.

The next item, Statement of Incompatible Activities comes from Government Code Section 1990. Four members of the board appointed by the Governor are already covered under the Governor's Statement of Incompatible Activities. This item only extends down to the board staff, employees, and contractors and is taken from the Governor's Code, which was taken from the Government Code.

Motion: Chairman Freeman moved to adopt the Statement of Incompatible Activities. Ms. Stausboll seconded the motion.

Voice Vote: 5 Aye, 0 Nays. Motion passed.

The Conflict of Interest Code is a proposed code for adoption. As set by statute, after Board adoption, the Code would then be sent through the regulatory process for published notice and then come back for further hearing. Ultimately it goes to the Fair Political Practices Commission (FPPC) for final approval. This Code designates the categories of employees on the board's staff and consultants who are required to file statements of economic interest with the FPPC. These positions include the Chief Executive Officer, General Counsel, assistant counsel, Chief Financial Office, consultants, and deputy directors or assistant director positions. It does not affect board members.

There was general discussion among members and a suggested modification regarding, under the assistant director, technical or analytical staff to be included.

Motion: Director. Stevens moved to adopt the Conflict of Interest Code with modification. Ms. Stausboll seconded the motion.

Voice Vote: 5 Aye, 0 Nays. Motion passed.

Director Vial relayed to the Authority that he recently received a letter from a disgruntled person that board materials were not being made public regarding the proposals. Mr. Sumner relayed to the Board that the Commission has received one Public Records Act request from Greenpeace and they were provided access to 600 pages of bid proposals. Some of the materials requested, additional notes and preliminary drafts are exempt from the Act and were not provided. Mr. Heath further explained that staff are attempting to publish board materials on the website at least 72-hours before board meetings. Additionally at the Power Authority has created separate dockets for each board meeting has been created where all documents are placed and can be utilized by anyone. Lastly, copies of materials are available at the meetings.

Chairman Freeman emphasized that the board continues to stress openness of the Authority and that all board discussions are made publicly and formally at the board meetings.

A) Approve the purchase of insurance for the Authority and its fiduciaries to cover the liability or losses resulting from the breach of fiduciary obligation by the fiduciary as prescribed by Public Utilities Code section 3326 (b)

The cost analysis for the purchase of insurance has not been completed. The Board will not act on this item at this time.

B) Consideration of a contract(s) for service as prescribed by Public Utilities Code sections 3340c and 3341c(1)

A draft contract to approve the appointment of Mr. Berry as the Chief Financial Officer (CFO) will be sent out; consequently, the board's approval will be postponed at this time. Chairman Freeman asked the board to approve that the Chief Executive Director be given authority to finalize and sign contracts, after initial board approval.

***Motion:** Director Stevens moved that the board authorize the executive director to finalize the contract and sign the contract with Mr. Berry to serve as our CFO. Vice Chair McPeak seconded the motion.*

***Voice Vote:** 5 Aye, 0 Nays. Motion passed.*

C) Approval of Request for Bids for: 1) Stationary Fuel Cells; 2) Micro turbine Combined Heat; 3) Solar Photovoltaic

Chairman Freeman reported on the great progress that has been made on the RFBs. However, the bids are not in final form for board approval at this time and will be moved to the November 2nd meeting agenda. The bid process will be two stages. The first stage is getting the bid; the second stage is having Department of General Service (DGS) identify facilities that can be matched with the hardware.

D) As prescribed by Public Utilities Code section 3310 approve contracts to establish one or more of the following wind projects for total capacity of up to 606 megawatts; Clipper Windpower Inc.; Cannon Energy Corporation; Enron Wind Development Corporation; and, Windpower, Inc.

Chairman Freeman reported that the wind projects are presenting a 10-year contract to the state to buy only output with an option to purchase in year 11 but with a longer period lease so that the state may acquire the site, the most valuable part of the this long-term renewable. Federal government provides 1 ½ cent a kilowatt-hour credit, but would be lost if the state either loaned money or owned the plant. On the other hand, the board's statute contemplates acquired facilities and not just buys the output of a plant. The savings from low-cost money for a loan or purchase is not as great as the federal incentive.

Regarding peaker projects, the board does not intend to operate and maintain any plants. Every proposal includes an offer by the proposer for a contract for operation and maintenance.

In an area where the state would save money in purchasing plants are gas-fired peakers. The ownership of plants would give the state greater control over capacity better than a contract. In terms of statute, this would not include operational maintenance.

Staff presentations were deferred on this item.

E) Approval of a demand reduction contract with DBS Industries Inc. for a voluntary load conservation program.

Staff presentations were deferred on this item.

F) Approval of a contract with Pegasus Power Partners LLC for the turnkey construction of a 181-megawatt peaking facility

Staff presentations were deferred on this item.

G) Approve the definitive terms and conditions for financing the continued operation of biomass facilities that are in imminent danger of shutting down. These terms and conditions may result in the request for authorization to execute contracts with one or more existing biomass facilities

Staff presentations were deferred on this item.

CLOSED SESSION

The board did not adjourn to a closed session.

PUBLIC COMMENT

Presentations and/or speeches from members of the public (see list of participants under Public Participations).

CLOSING

Motion: *Chairman Freeman called for a motion for adjournment. Director Vial seconded the motion.*

Voice Vote: *5 Aye, 0 Nays. Motion passed.*

The meeting was adjourned at 2:10 p.m.